



# COLIN WAGGETT

The Third Space CEO speaks to Kate Cracknell about the launch of two new clubs, a new Little Space brand for kids, and the opportunities for evolution in the premium market

“One of the questions I’m often asked is: ‘What’s your USP?’ But in an experiential business like ours, I believe it’s the wrong question,” states Colin Waggett, CEO of premium health club operator Third Space.

“Let’s look at an equivalent example. Say there’s a particular restaurant you love – you wouldn’t discuss its USP, instead, you’d focus on the experience: the environment, the music, the service, the food, the comfort of the chair.

“You don’t even actively think about some of these things, but your overall experience of the restaurant is shaped by all of them and more. It comes together to create an emotional response.

“When I’m talking to our teams about our brand, I tell them it isn’t about a list of attributes – the Third Space brand is whatever people are saying about us. That’s why we’re obsessed with customer feedback, and why our commitment to driving our Net Promoter Score is ingrained into the business.

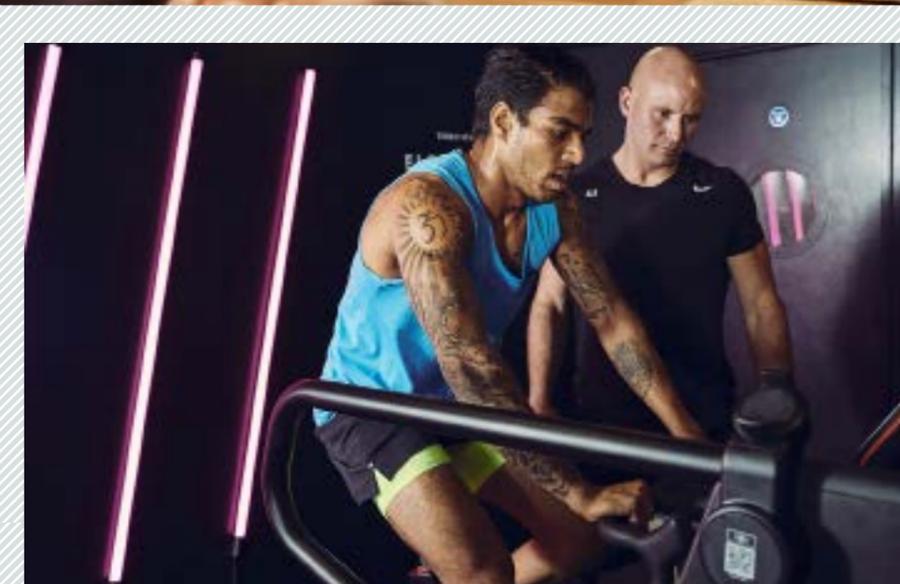
“Our brand is the experience we deliver, so that’s what we focus on every day: delivering a fantastic experience that engages members at an emotional level. Ultimately, people don’t need a place to exercise; if that’s really all they want, they’ve got their front room. What people really need from us is the inspiration and motivation to exercise – and that’s the DNA of Third Space.”

## RE-INVIGORATING THE BRAND

So how has Third Space set out to achieve this aim? Let’s rewind to 2014, when investment firm Encore Capital had just acquired Third Space’s two London



Waggett, a former CEO of Fitness First UK, joined Third Space in 2015



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Third Space facilities are architect-designed, with high end finishes, as befits a premium operation



clubs – in Soho and Marylebone – as well as The Reebok Sports Club in Canary Wharf and 37degrees Tower Bridge (see *HCM Feb 15*, p30). Its mission: to create a portfolio of premium, holistic wellbeing clubs in iconic locations across London.

At the time of the acquisition, the Reebok club had just gone through an extensive three-year refurbishment covering its fitness floor, restaurant and spa, but other parts of the newly formed estate required investment – and there were, of course, three different brands operating across the four clubs.

These were the challenges facing incoming CEO Waggett – formerly CEO of Fitness First UK, and more recently founder of cycling boutique Psyche – when he joined the business in 2015.

He explains: “The choice of a single brand was the easy part: the significant strength of the Third Space name made it a no-brainer and it reflected our aspirations moving forward – how we wanted to fit into people’s lives.”

In addition, the Third Space brand brought with it great heritage and expertise, including its own medical centre, while Reebok wasn’t owned as a name and 37degrees was fragmented as a business [a second 37degrees club in Olympia wasn’t acquired by Encore].

The Third Space brand did, however, need to be re-invigorated, says Waggett: “We needed to clarify the underlying

proposition and make sure it was being fulfilled from an operational point of view.

“We went back to basics, looking at our vision, our brand pillars and the values we wanted to live by, working through every element of the business – from team development, to the service proposition and the look and feel of the clubs – until we got to the absolute brand ideal that we aspire to today.

“Then we started implementing this on a case-by-case basis, taking each club and raising the bar in every area.

“Across the clubs there were different areas that need to be improved on. At 37degrees, for example, we had to invest in raising the appearance of the club, whereas the Canary Wharf club already looked spectacular, so we were able to focus on some of the softer elements.”

**A FLEXIBLE PROPOSITION**

Yet in spite of Waggett’s reference to a ‘brand ideal’, there’s a significant level of flexibility within the Third Space model. He explains: “Some elements are central to our proposition. For example, we

want the medical service in all of our clubs, so we’re working on that now, while a fantastic exercise proposition, great personal training, natural fitness food and excellent training of our team are also at the core of what we do.

“But at the premium end of the market, ‘chain’ is a dirty word – each club is a unique asset, loved to death, designed in a way that’s fit for its market and the building it’s in – so I feel it’s very restrictive to say that every club in your portfolio has to have the same kit.

“Generally, our clubs have a massive array of facilities and services – but our Marylebone club is an example of how the model can flex, while still staying true to our core philosophy.”

“Third Space Marylebone is a smaller boutique one-to-one and small group training club, located in a hotel, so it’s an outlier in terms of our portfolio,” says Waggett. “But it absolutely fits with our vision of inspiring people to get the most out of life through healthy living.

“It also fits with our ethos of aiming to be best in class in everything we do – not



Third Space has halved the number of instructors, employed them and given them twice as many classes

**EXCLUSIVITY & LOYALTY**

“Many health club operations keep their instructors slightly at arm’s length,” says Waggett. “We’ve reversed that mindset.

“Recognising that instructors and personal trainers are at the heart of our proposition – the frontline when it comes to contact with members and the delivery of Third Space experience – we changed our model to employ them on a full-time basis. We now have around half the number of instructors as previously, each doing twice as many classes as they did before, and this has been instrumental in securing their buy-in and their loyalty.

“In addition, we’ve created a training academy to support them and ensure consistent standards.”

**“ In Islington, there’s a strong demand for family facilities and we’re building our first Little Space – a dedicated kids’ training area**

just better than other multi-service clubs, but better at delivering on each individual discipline than anyone else in the market, including the boutiques. Our Marylebone club absolutely delivers on this.”

**INTRODUCING NEW SPACES**

This same location-specific ethos will apply to all new Third Space clubs, starting with the company’s fifth site, which opened in the City of London in late July, as well as the sixth – a 47,000sq ft club in Islington, north London, that’s scheduled to open in Q2 2019.

For those who haven’t yet paid a visit, Waggett provides a description of the new City club: “As you walk in, there’s a 20-metre pool in front of you. You then have our Fitness Food café offering fresh, home-made, macro-nutrient controlled foods, so you know what to eat, depending on your goals.

“There’s a rig and sprint track area for personal training and small group classes, a hot yoga studio, an indoor cycling studio with huge fans at the front that blast air across you while you’re

training, and a hypoxic chamber including a ski simulator that allows you to train at 3,000 metres above sea level.

“Those are some of the signature elements for the City club, but crucially it’s about how we pull these elements together in terms of interior design, space, light and quality of finish that really makes the difference,” he says.

“Meanwhile at Islington, there’s a very strong demand for young family facilities, so alongside a 35,000sq ft adult club we’re building our first Little Space – a kids’ club with a dedicated kids’ training pool, sports hall, dance studio, climbing area, café and crèche. It’s a good example of us being small enough as a business to look at each new market and ask: ‘What do people here really want?’ We did 300 doorstep interviews and focus groups to make sure our concept was right.

“What we didn’t want, though, was for this to become a family club, mixing the two sides of the offering and possibly ending up with something that wasn’t the best of either world. This is why we’ve kept things separate: the Third Space

adult experience is entirely unaffected, and is still best-in-class in terms of offering a grown-up environment, and Little Space is equally free to specialise in kids’ facilities and programming.”

Might this joint adult/child format be a model Third Space will replicate in the future? “We’re already looking at sites to open between 2020 and 2025,” says Waggett. “And we certainly have one other site which might suit a more residential, Islington-esque formula.”

**ONE STEP AHEAD**

So what does the development pipeline look like in detail? Waggett says: “The original goal I outlined when I joined the company was to open a new site every 12 to 18 months and we’re absolutely on track to deliver on this plan.

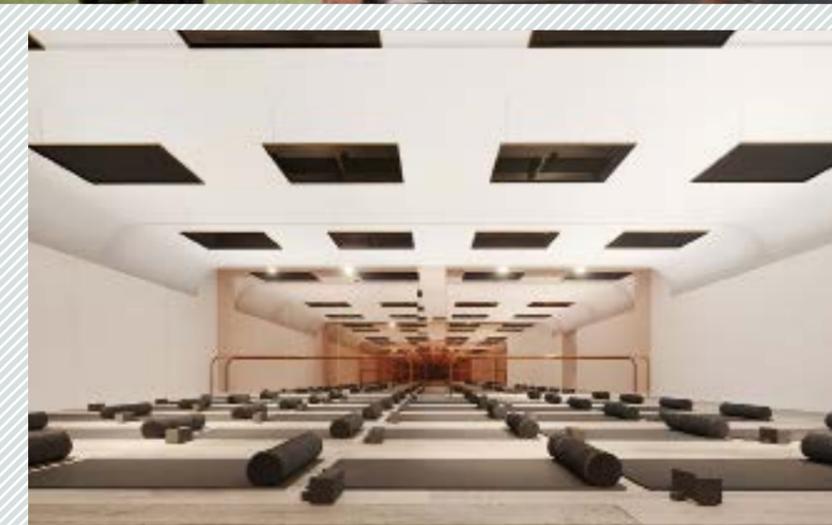
“At the moment, we’re focused on locations within the M25, with an emphasis on London zones 1 and 2, but I could see us moving outside London, or indeed outside the UK.”

Given the flexibility within the model, is there anything Third Space would

RICH MACIVER PHOTOGRAPHY



Third Space makes more than 34 per cent of its revenues from non-dues activities, such as small group personal training and from its Fitness Food café



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like to try at these new clubs that it hasn't yet had the chance to explore? "There are a few things we're keeping tabs on," says Waggett, "Cryotherapy is something we're looking at and we may do something with meditation chambers. We're also looking at allocating some space for small group personal training – from one-to-two up to one-to-four.

"Because we don't believe in the 'chain effect', we have the option to drop some of these things in just once or twice to see if they work and to keep things innovative. You don't have to prove every new concept to within an inch of its life and then do it everywhere."

He continues: "Competition and innovation can come from absolutely anywhere. The sector tends to talk about what the big boys are doing, but new people are always coming into the market and can be really surprising. Whenever there's a new concept launched, we send someone over to have a look. Let's call it a healthy level of paranoia!

"If you don't do this, over time you can become inwardly focused, only looking at how to improve what you already do – and then you run the risk of customers

becoming better informed than you about what's out there. We need to be one step ahead and able to pre-empt whatever our members want next.

"In group exercise, our instructors focus on developing new classes whenever they aren't teaching. Group exercise is so important in terms of community, referrals, loyalty, results – but it's also the area of fitness that's evolving the most rapidly, so we need to make sure we're consistently best-in-class."

**A FOOT IN BOTH CAMPS**

Waggett continues: "Our thinking around the importance of group exercise was sharpened by my previous experience at Psycle and also by our boutique studio offering, Another Space."

Launched in 2016 with a site in London's Covent Garden, and with a second that opened in Bank in January 2018, Another Space is a standalone boutique fitness concept that sits within the Third Space family, alongside – but independent from – the full-service clubs.

"Having one foot in each market has sharpened our thinking in both businesses," adds Waggett. "It's helped us

be clear about why people choose one gym over another. I find it refreshing."

Another Space studios offer three disciplines under one roof: yoga, boxing-based HIIT, and indoor cycling. "People want variety and they portfolio-shop for their fitness, particularly in the boutique sector," says Waggett. "Our approach makes it convenient for them to switch between disciplines if they want, all within a community they're already part of. The vast majority of our customers do at least two of the classes regularly, and a significant number of them do all three.

"It also makes sense from a business perspective, because we're not tethering our brand to one concept. As we grow, it might be that we launch new disciplines."

And while the full-service clubs are "a much bigger part of the business" according to Waggett, there are strong growth plans for Another Space. "As these are smaller sites, we should be able to do more Another Spaces than Third Spaces: over the next few years, a couple of sites a year is our aspiration," he explains.

"We're actively looking for locations, but the rent has to be right – some of the figures being asked for at the moment

are pretty racy and we aren't going to commit to something we might regret from a fixed cost point of view."

**GETTING BETTER, NOT BIGGER**

But with Third Space operating at the premium end of the market and Another Space adopting the premium, pay-per-class boutique model, is there a risk the two will cannibalise each other as they grow?

"The budget sector has been developed extensively, but I believe there's space for the premium end of the market to evolve," says Waggett.

"People are looking for different experiences: some will have an innate preference for a boutique; others for a full service-club. That preference might even change over their lifetime.

"As long as we think about Third Space and Another Space as separate businesses with a different dynamic, I believe both can grow and be successful.

"The key for us as a company is the mantra that we should always spend more of our time and energy on getting better, not just on getting bigger.

There's a constant push towards reinvention and redevelopment. If we look ahead to where we want to be in five or 10 years' time, it isn't about number of clubs – it's about having a service proposition that stands clearly above the benchmark against which the market is judged. That motivates us much more than just growing our estate." ●

